

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER )  
COMPANY FOR COLLABORATIVE )  
DEMAND-SIDE MANAGEMENT )  
PROGRAMS AND FOR AUTHORITY TO ) CASE NO. 2011-00300  
IMPLEMENT A TARIFF TO RECOVER )  
COSTS AND NET LOST REVENUES AND )  
RECEIVE INCENTIVES ASSOCIATED )  
WITH THE IMPLEMENTATION OF THE )  
KENTUCKY POWER COMPANY )  
COLLABORATIVE DEMAND-SIDE )  
MANAGEMENT PROGRAMS )

COMMISSION STAFF'S FIRST INFORMATION REQUEST TO  
KENTUCKY POWER COMPANY

Kentucky Power Company ("Kentucky Power"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before September 30, 2011. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and

accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kentucky Power shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Kentucky Power fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the Joint Application ("Application") cover letter ("Letter"), page 2 of 3, which states, "[t]he DSM Collaborative is also requesting Commission approval in this filing, for a two-year extension of the Kentucky Power Modified Energy Fitness Program."

a. Explain why this program is to be extended for two years while other programs evaluated in this filing are to be extended for three years.

b. Through what month and year does Kentucky Power want this program extended?

2. Refer to page 2 of 3 of the Letter, which states, "[t]he DSM Collaborative recommends 2012 Evaluation, Measurement, and Verification, or EM&V, services for 5

DSM programs to be provided by an external vendor. The EM&V services will begin October 2011 with the evaluation report to be developed through June 30, 2012.”

a. Explain whether Kentucky Power has already begun requesting bids from external vendors for EM&V services.

b. If one has already been selected, identify the external vendor that will provide the EM&V services.

c. Explain why Kentucky Power is seeking an external vendor to provide EM&V services when the Energy Efficiency/Demand Response (“EE/DR”) Analytics Team of American Electric Power Service Corporation (“AEPSC”) is providing evaluations of certain programs in the current application.

d. Explain whether an external vendor is more cost effective in providing EM&V services than the EE/DR Analytics Team of AEPSC. For the five programs, provide the projected evaluation cost by the external vendor versus the EE/DR Analytics Team of AEPSC.

e. Explain whether the cost of the EM&V services of the EE/DR Analytics Team of AEPSC was charged directly to the Kentucky Power Demand-Side Management (“DSM”) programs that it evaluated. If yes, provide the cost of the evaluations by program. If no, provide the actual evaluation costs that were incurred and explain how they were charged to Kentucky Power.

f. Explain how the cost of an external vendor will be charged to Kentucky Power’s DSM program evaluations.

g. Who will perform the future evaluations of Kentucky Power’s other DSM programs which are not being evaluated by an external vendor?

h. Describe the process Kentucky Power will undertake to hire the external vendor.

i. Describe the qualifications and experience Kentucky Power will require of the proposed external vendor.

j. Explain how and why the five programs proposed to be outsourced to an external vendor for EM&V were chosen.

k. Explain why the programs other than the five chosen to be outsourced to an external vendor for EM&V were not included in the proposal to use an external vendor.

3. Refer to page 4 of the Targeted Energy Efficiency (“TEE”) evaluation report.

a. Explain whether the Weatherization Assistance Program (“WAP”) dollars were part of the American Recovery and Reinvestment Act (“ARRA”) of 2009.

b. If the answer to part a. of this request is yes, explain whether participation in the TEE program was affected in any way due to the WAP funds.

c. Describe how Kentucky Power expects the TEE program to be affected once the WAP funds expire on March 31, 2012.

4. Refer to page 6 of the TEE evaluation report. It states “KPC promoted the program solely through an established network of Community Action Agencies. Five (5) agencies are involved with the TEE program, but only three (3) participate actively.”

a. Explain whether the Community Action Agencies (“CAA”) also have weatherization programs independent of Kentucky Power which use WAP or other government-supplied funds.

b. If the answer to part a. of this request is yes, explain whether this creates any conflict of participation goals between the weatherization programs of Kentucky Power and the CAA as mentioned on page 6 under the caption Delivery Mechanism.

c. Provide the TEE weatherization goals established by Kentucky Power and its Demand-Side Management Collaborative ("Collaborative") of each CAA for 2011 and the most current number of homes weatherized by each CAA through the Kentucky Power TEE program.

d. Does Kentucky Power know the most current number of homes weatherized by each CAA through its own weatherization program? If yes, provide the information for each CAA.

e. Explain whether Kentucky Power personnel interact personally with CAA weatherization personnel to encourage participation in Kentucky Power's TEE program.

f. Explain whether Kentucky Power has explored other options to market the WAP.

5. Refer to page 13 of the TEE evaluation report which states, "[f]or purposes of reporting and cost recovery in Kentucky, only costs incremental to the Company after beginning the program offerings are included in the costs. Employee labor costs are not included for recovery purposes, unless new labor was utilized incrementally and specifically for DSM program implementation. For the TEE program, all costs of the implementation of the program are considered for cost-benefit tests, even if Kentucky

Power did not bear the costs. All Weatherization Assistance Program (WAP) dollars were included to account for the government involvement in the program.”

- a. Explain the meaning of “costs incremental to the Company.”
- b. Explain whether any new labor was utilized incrementally and specifically for DSM program implementation.
- c. Explain whether any costs not borne by Kentucky Power were included when performing the cost-benefit tests.
- d. Provide the amount of WAP dollars from government involvement in the program that were included in the cost-benefit tests.
- e. If all employee dollars applicable to DSM programs were included for recovery purposes, explain whether the TEE program would still be cost effective.

6. Refer to page 13 of the TEE evaluation report. It states, “[u]nrecoverable administrative costs from KPC and AEPSC staff were not filed, but included for analysis.”

- a. Explain what is meant by “unrecoverable” administrative costs. Does it mean not recoverable through the DSM factor, but recovered through base rates?
- b. If the costs are recovered through base rates, to what account are these costs charged?

7. Refer to page 17 of the TEE evaluation report. It states, “KPC-only results were positive, and based solely on KPC’s participation, the program should continue.” The projected Total Resource Cost (“TRC”) for 2012-2014 Winter Peak Cost Effectiveness Analysis is 1.95. Explain whether Kentucky Power or the CAA would ever

consider not continuing the TEE program, since it is cost effective and provides a societal benefit.

8. Refer to page 18 of the TEE evaluation Report. Recommendation 2 states, “[f]uture costs should be captured in a more organized and delineated manner. Each program should have its own accounting area (project ID), separate from the other KPC business. Within each project, there should be a consistent set of cost descriptions for each program to account for utility admin, implementation admin, materials, marketing, incentives, and evaluation.”

a. Explain whether Kentucky Power properly captured the cost by each program in this filing in Schedule C when calculating the proposed DSM factor.

b. Explain whether Kentucky Power properly classified the costs applicable to each DSM program for cost recovery filed in this application.

c. Explain how Kentucky Power captured the cost of each DSM program for cost recovery filed in this application.

9. Refer to page 18 of the TEE evaluation report. Recommendation 4 states, “KPC staff labor time spent on the Program should be captured so that the true cost of delivering the program can be known.”

a. Explain whether Kentucky Power staff labor time spent on the program means for cost-benefit tests or recovery purposes.

b. If Kentucky Power staff labor time spent on the program was included for recovery purposes, explain what the labor and benefit amount would be.

10. Refer to page 18 of the TEE evaluation report. Recommendation 6 states, “KPC should consider adding another employee to help with in-the-field audits and ride-

along trips so that current KPC staff can focus on program management.” The table below summarizes the TEE program weatherization goals for 2009 and actual number of homes weatherized in 2010, along with the goals for 2011 and the actual number of homes weatherized in the first six months of the 2011.

Targeted Energy Efficiency (TEE)	Participants					
	2009		2010		2011	
	Goals	Actual	Goals	Actual	Goals	Actual 1st Six Months
All Electric	210	259	415	346	350	110
Non-All Electric	78	83	78	54	55	6

- a. Provide the number of Kentucky Power full-time employees (“FTE”) involved in DSM for 2009 and 2010, and for 2011 as of the date of this request.
- b. If Kentucky Power were to employ another DSM FTE, would the employee’s cost be charged to base rates or the applicable DSM programs? If the answer is the applicable DSM programs, what would Kentucky Power estimate the approximate salary and benefit cost to be.
- c. If all costs, including salary, benefits, employee expense, and office supplies of the current DSM FTEs and potential additional employees were charged directly to the applicable DSM programs, explain whether the TEE program would still be cost-effective, meaning the TRC is equal to or greater than 1.0.
- d. Provide the most recently available number, as of the date of this request, of in-the-field visits to each CAA office, and audits performed by Kentucky Power staff for 2011.

11. Refer to Case No. 2008-00350,<sup>1</sup> Targeted Energy Efficiency Program, 2006-2007 Load Impact Evaluation Report, page 6. It states, “[t]o capture accurate temperatures, information from the Ashland, Kentucky weather station was used.” Explain whether the Ashland, Kentucky weather information was used for the current analysis.

12. Refer to page 14 of the Mobile Home Heat Pump (“MHHP”) program evaluation report. Recommendations 6 and 7 state, “KPC should request AEP add fields or processes to capture. . .” heating, ventilation, and air conditioning (“HVAC”) information on their customers and building type on their customers. Explain whether these fields are in American Electric Power’s (“AEP”) Customer Information System or on the brochure or application that Kentucky Power customers complete for participation in the program, or both.

13. Refer to page 14 of the MHHP program evaluation report. Recommendation 9 states, “KPC staff should perform on-site installation audits for a small sample of participants. This may necessitate adding another employee.”

a. Explain whether this additional employee would also be responsible for doing in-the-field audits for the TEE program.

b. Provide the most recently available number, as of the date of this request, of on-site audits performed by Kentucky Power staff for 2011.

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<sup>1</sup> Case No. 2008-00350, Joint Application Pursuant to 1994 House Bill No. 501 for Approval of Kentucky Power Company Collaborative Demand-Side Management Programs and Authority to Implement a Tariff to Recover Costs, Net Lost Revenues and Receive Incentives Associated with the implementation of the Kentucky Power Company Collaborative Demand-Side Management Programs (Ky. PSC Nov. 25, 2008).

14. Refer to page 14 of the MHHP program evaluation report. Recommendation 10 states, "KPC should gather information from the dealers about customers that were interested in the program but declined to participate. Using that information, KPC should then sample the customer list and perform a non-participant survey to find any reasons for non-participation."

a. How frequently does Kentucky Power staff personally visit HVAC dealers to promote the MHHP program and discuss marketing of the program to potential customers?

b. Is there a brochure, other than the Exhibit 1–Fact Sheet on page 26, that is available to HVAC dealers that would aid them in educating customers as to the benefits of participating in the program?

15. Refer to page 15 of the Mobile Home New Construction ("MHNC") evaluation report. Recommendation 2 states, "[g]reater scrutiny should be applied to data collection and tracking." Explain whether Kentucky Power keeps a list, by customer, of minimal information as to what measures have been installed.

16. Refer to page 15 of the MHNC evaluation report. Recommendation 7 states, "KPC should gather information from the dealers about customers that were interested in the program but declined to participate. Using that information, KPC should then sample the customer list and perform a non-participant survey to find any reasons for non-participation."

a. How frequently does Kentucky Power staff personally visit the manufactured housing dealers to promote the MHNC program and discuss marketing of the program to potential customers?

b. Is there a brochure, other than the Exhibit 1–Fact Sheet on page 19, that is available to manufactured housing dealers that would aid them in educating customers as to the benefits of participating in the program?

17. Refer to page 6 of the Modified Energy Fitness (“MEF”) program evaluation report. It states, “[t]his evaluation was the second consecutive evaluation to find that the billing analysis did not support the validity of previous energy values used. The root cause of the disagreement appears to be the same as the previous evaluation indicated, mainly, that the mechanism for choosing participants is selecting homes to weatherize that do not extract the most savings from the measures installed.”

a. Explain whether Kentucky Power’s implementation contractor, Honeywell International (“HI”), is working to better select homes where the electric bills can be reduced and meet corporate energy efficiency goals.

b. Explain whether Kentucky Power believes that, until this situation is resolved, its staff should perform more than a quarterly on-site audit.

c. Provide the most recently available number of on-site audits, as of the date of this request, even though they have been quarterly, that were performed by Kentucky Power staff for 2011.

18. Refer to page 7 of the MEF evaluation report. It states, “[a]s a whole, data collection and tracking was performed adequately from Honeywell’s perspective. However, the exchange of data between Honeywell and AEP is very troublesome.” Describe what Kentucky Power and HI have done to improve the exchange of data.

19. Refer to page 7 of the MEF evaluation report. It states, “[s]poradic pieces of data were missing that are required to produce engineering estimates.”

- a. Describe what kind of pieces of information was missing.
- b. Explain whether underestimating the demand savings by 61

percent in the Collaborative reports influenced the cost-effectiveness tests results of the program.

20. Refer to page 8 of the MEF evaluation report. It states, "one comment of dissatisfaction was "an installer cracking a door." If the door was cracked by the installer, explain whether the customer's door was repaired or replaced, and by whom.

21. Refer to page 13 of the MEF evaluation report. It states, "the results of the billing analysis show that the program will not be cost effective for any of the applicable tests in 2012-2014."

- a. Explain whether this is the reason for requesting only a two-year extension of the MEF program.

- b. If the applicable cost-effectiveness tests show the MEF program not to be cost-effective, explain whether Kentucky Power and the Collaborative support discontinuing the program.

- c. Should the MEF program be continued after December 31, 2011, if the program is not going to be cost-effective in 2012-2014? Explain.

22. Refer to page 14 of the MEF evaluation report. Recommendation 10 recommends "adding another employee to help with in-the-fields audits, ride-along trips and other general work required with the MEF and other programs." Explain whether this additional employee would also do work on the TEE and MHHP programs.

23. Refer to page 17 of the High Efficiency Heat Pump ("HEHP") evaluation report. Recommendation 6 states, "KPC should request AEP add fields to the AEP CIS

to capture HVAC information on their customers. This would provide a more accurate way of comparing the participant group to the population for billing purposes.” Describe the means through which Kentucky Power currently gathers information for the HEHP program.

24. Refer to page 17 of the HEHP evaluation report. Recommendation 8 is “KPC staff should perform on-site installation audits for a small sample of participants. This may necessitate adding another employee.”

a. Provide the number of on-site audits, as of the date of this request, performed by Kentucky Power staff for 2011.

b. Explain whether this additional employee also does work on the TEE, MHHP, and HEHP programs.

25. Refer to page 17 of the HEHP evaluation report. Recommendation 9 is “KPC should gather information from the dealers about customers that were interested in the program but declined to participate.”

a. Provide the number of field visits by Kentucky Power staff to HVAC dealers to discuss the HEHP program to date for 2011.

b. Is there a brochure, other than the Exhibit 2–Fact Sheet on page 34, that is available to HVAC dealers that would aid them in educating customers as to the benefits of participating in the program?

26. Refer to page 16 of the Community Outreach CFL evaluation report. Recommendation 1 is, “[t]herefore, it is our opinion that the COCFL program should continue through 2014, with periodic evaluations to ensure the program is still cost effective.” Given that incandescent bulbs are to be phased out by 2014, explain

whether Kentucky Power believes it should continue to spend resources on compact fluorescent light bulbs or should this be left to the consumer.

27. Refer to page 16 of the Energy Education for Students Program (“EEFS”) evaluation report. Recommendation 6 is, “[t]o increase teacher workshop participation, consideration should be given to providing an additional incentive to the teachers related to their time requirements for attending the workshop.”

- a. Explain what would be considered an additional incentive.
- b. Explain whether the cost of an additional incentive would be recovered through the DSM factor.

28. Refer to page 16 of the EEFS evaluation report. Recommendation 7 suggests an additional survey of participants. Who would be surveyed, the teachers, students, or the parents of the students to determine the persistence of the savings over the expected CFL life?

29. Refer to page 16 of the EEFS evaluation report. Recommendation 8 states that “[e]ducation materials should be reexamined to ensure that the bulbs are recommended to be installed in an area to gain the maximum savings.”

- a. Is this Kentucky Power’s educational material or the National Energy Education Development (“NEED”) educational material?
- b. Who would best know how to revise educational materials for middle school students, Kentucky Power or NEED?

30. Provide a comparison of 2011 participant goals by program and actual participation by each program for 2011, as of the date of this request, and explain

whether Kentucky Power expects the 2011 goals for each program will be met by the end of the year, and if not, why.

31. Refer to tab Schedule C of the Application. Page 17A-2 shows the following lost revenue factors:

<u>Program</u>	<u>Lost Revenue Factor per kWh</u>
Commercial High Efficiency Heat Pump/Air Conditioner - Air Conditioner	\$0.14803
Commercial High Efficiency Heat Pump/Air Conditioner - Heat Pump Replacement	\$0.58599
Commercial Incentive Program	\$0.25657

- a. Confirm that the factors are correct.
- b. If the answer to part a. of this request is no, provide the correct lost revenue factors for each program.

32. Refer to the following table and explain, by program, the variances in average estimated program cost per participant from the third quarter to the fourth quarter of 2011.

Program	Third Quarter			Fourth Quarter		
	New Participants	Average Est. Program Costs Per Participant	Total Est. Program Costs	New Participants	Average Est. Program Costs Per Participant	Total Est. Program Costs
Residential Efficient Products - LED Lights	18	\$48.39	\$871	757	\$0.83	\$625
Residential Load Management - Air Conditioning	30	\$1,294.90	\$38,847	220	\$415.81	\$91,478
- Water Heating	30	\$1,294.90	\$38,847	220	\$415.81	\$91,478
Commercial A/C & Heat Pump Program - Heat Pump Replacement	15	\$1,328.33	\$19,925	10	\$521.00	\$5,210
HVAC Diagnostic & Tune Up - Heat Pump	14	\$127.29	\$1,782	8	\$67.00	\$536

33. Explain why the Residential Load Management and the Commercial Load Management programs have no Lost Revenues and Efficiency or Maximizing Incentives.

34. Provide Exhibit C in an electronic format with formulas intact and unprotected.

35. Provide in electronic format with formulas intact and unprotected the assumptions as to kWh savings and efficiency incentives per participant by program.

36. Provide in electronic format with formulas intact and unprotected the lost revenue factor calculations for all residential and commercial programs.

37. Each of the DSM programs contained a cost-effectiveness evaluation.

a. Explain how environmental costs were factored into the cost-effectiveness evaluations.

b. Explain how federal and state energy income tax credits were factored into the cost-effectiveness evaluations.

c. Explain why a societal test was not utilized in the cost-effectiveness evaluations.

38. Explain what options Kentucky Power has explored to increase the number of methods used to improve promotional effectiveness of its DSM programs.

39. The following table contains a comparison of the TRC results for 2009 and 2010 and projected 2012 to 2014 versus 2006 and 2007. Year 2006 and 2007 are the TRC evaluations from the last three-year evaluation in Case No. 2008-00350. 2009 and 2010 evaluations included a summer peak cost and a winter peak cost; 2012-2014 included only a winter peak cost; and 2006 and 2007 was not done by summer or winter peak cost, just in total.

Program	2009 and 2010		2012-2014	2006 and 2007
	Summer Peak Cost TRC	Winter Peak Cost TRC	Winter Peak Cost TRC	TRC
Targeted Energy Efficiency				
- All Electric	1.61	1.84		1.99
- Non-All Electric	0.55	0.50		7.86
- All Participants	1.42	1.59	1.95	2.26
Mobile Home New Construction	2.58	2.25	2.64	3.66
Modified Energy Fitness	0.80	1.15	1.37	3.37
High Efficiency Heat Pump				
- Resistance Heat Replacement	0.65	1.37		
- Heat Pump Replacement	1.19	1.94		
- Total	1.01	1.74	2.03	9.79

a. Explain why there is such a difference in the TEE–Non-All Electric result of 7.86 from the last evaluation to the current result of 0.55–Summer Peak Cost and 0.50–Winter Peak Cost.

b. Explain why there is such a difference in the MEF result of 3.37 from the last evaluation to the current 0.80–Summer Peak Cost and 1.15–Winter Peak Cost.

c. The projected 2012-2014 TRC for the MEF is 1.37. Explain why this program is deemed not cost-effective for 2012-2014.

d. The overall TRC for the High Efficiency Heat Pump program for 2006 and 2007 was 9.79. Explain why the current and projected TRC results for this program are substantially below 9.79.

40. Provide a list of the active members of Kentucky Power's DSM Collaborative and their respective representative(s).



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Dated SEP 14 2011

cc: Parties of Record

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